

# ICPS newsletter®

## Alexander Kwasniewski: Ukraine's politicians are wasting time

***Once again, Ukrainian society is facing a crisis. This time, it is a Verkhovna Rada crisis, but it could easily lead to other crises. The current loggerheads in the legislature not only make it impossible for the government to function in a normal manner, but also pose a threat to the proper development of the country socio-politically and in foreign relations. On 12 July 2006, ICPS presented its own view of the current situation. A roundtable called "The Political and Economic Situation in Ukraine: How the International Centre for Policy Studies sees it" brought Polish ex-President and Chair of the ICPS Supervisory Board Alexander Kwasniewski, leading Ukrainian experts, political analysts, economists, and journalists together to discuss current problems. Mr. Kwasniewski warned that Ukraine's politicians are wasting precious time once again***

### The West does not understand what's going on in Ukraine

The new ICPS Supervisory Board Chair, Alexander Kwasniewski, has always had a special relationship with Ukraine. Defending this country's interests was a continuing theme of his two terms in the Polish presidency.

Since he left office, Mr. Kwasniewski has continued his role as an advocate for Ukraine. To do this effectively, however, Mr. Kwasniewski needs to at least understand what is going on in Ukraine today. For the ex-president of Poland, as well as for the majority of western politicians, the current political situation in Ukraine remains confusing and complicated.

Alexander Kwasniewski said he was concerned that Ukraine's politicians continue to waste historical opportunities and precious time that is maximally needed for reforms. The former president said that, like many Central European countries, Ukraine is not striking while the iron is hot. "Why is it that, after everything that took place during the Orange Revolution, we still can't say where Ukraine is heading?" Mr. Kwasniewski asks rhetorically.

The former Polish president also emphasized that Ukraine's political leaders must work to gain the trust of both the country's own people and its foreign partners. Mr. Kwasniewski added that politicians need to avoid the kinds of compromise that show contempt for morality and ethics.

### Government policy is unlikely to be effective

The majority of participants in this roundtable agreed with ICPS specialists that the country has already created a significant foundation for democracy. Democracy is growing ever stronger, especially because new, more democratic procedures for forming a Government and a strong opposition have been instituted that no longer depend specifically on the configuration of the Verkhovna Rada majority. Moreover, the country has a fairly free media and rapidly developing civil society.

Still, the fact that democracy has not been consolidated poses a serious threat to the country's political development. The negative factors giving rise to this situation are primarily the lack of a functioning Constitutional Court, unregulated relations between the Government and the opposition, a so-far ineffective coalition process, and voter dissatisfaction with political developments. By contrast, ICPS specialists think that the risk that the level of democracy in Ukraine will go down in the near future is fairly insignificant. Nevertheless, the ineffectiveness of the country's politicians means that democracy may not become entrenched and stable in the medium term. At the moment, the fate of the new PR-SPU-CPU coalition depends on whether this coalition will be able to come to agreement with the president.

There are several possible scenarios for how the situation will develop, starting with new Verkhovna Rada elections. Other alternatives

### New faces on the ICPS Board

On 12 July, Alexander Kwasniewski became the new Chair of the ICPS Supervisory Board. President of the Republic of Poland for two terms, Mr. Kwasniewski is a politician of world stature who has always defended Ukrainian interests.

After chairing the ICPS Supervisory Board since 1997, Bohdan Hawrylyshyn has stepped down. Mr. Hawrylyshyn is an advisor to the Speaker of the Verkhovna Rada of Ukraine and to the Premier, as well as Chair of the Supervisory Board of the International Management Institute (Geneva) and a member of the Club of Rome. He has been elected ICPS Chair Emeritus.

Vira Naniivska, who was ICPS Director from 1997 to 2006, has been elected Honorary Chair of the Centre's Supervisory Board. President Yushchenko recently appointed Ms. Naniivska president of the National Academy of Public Administration under the President.

Vitaliy Klichko, a world-class Ukrainian boxer, has joined the Centre's Supervisory Board. Mr. Klichko recently entered the political arena in Ukraine, coming second in the March election for mayor of Kyiv.

are a lingering confrontation between the president and the coalition regarding the constitutionality of recent actions, or the president's acceptance of the newly-created coalition and an agreement to work together.

One serious problem is the fact that, with democracy not consolidated and serious competition among various parts of the government to be part of the coalition, the likelihood that state policy will be effective becomes fairly low. In such a situation, there are serious doubts as to how well the country's economy can develop while politicians are busy setting up the rules of the game and focused entirely on the struggle for power. ■

*The "Political and Economic Situation in Ukraine: How ICPS sees it" presentation can be found on the ICPS website. For additional information, contact ICPS analyst Ivan Presniakov by telephone at (380-44) 484-4400 or by e-mail at [ipresniakov@icps.kiev.ua](mailto:ipresniakov@icps.kiev.ua).*

# Executive picks up new methods for evaluating socio-economic performance and potential

*The International Centre for Policy Studies is continuing to implement the "Socio-Economic Performance and Potential Analysis Capacity" (SEPPAC) project. The goal of this project, financed by the Canadian International Development Agency (CIDA) is to increase the analytical capacity of Government officials and analysts in Ukraine by giving them instruments for assessing the country's potential and its socio-economic performance*

As part of the SEPPAC project, two series of seminars were held: "Benchmarking: Measuring performance and evaluating potential" on 13–16 June 2006 and "Assessing potential output" on 19–22 June 2006. These seminars were run by specialists from the Conference Board of Canada who have extensive experience in applying benchmarking and analyzing potential output in order to formulate effective government policy in Canada. The participants were representatives of the project's four main partners: the Ministry of Economy, the Ministry of Finance, the National Bank, and the National Security Council (NSC).

## Applying benchmarking to socio-economic development

To analyze Ukraine's socio-economic development, project participants applied benchmarking, benchmarking, a method of comparative analysis, to indicators for Ukraine and compared them to indicators from other countries with different levels of economic development. During these benchmarking seminars, representatives of the Government came up with a tentative objective for benchmarking Ukraine's economic development: to become a highly competitive country with a high standard of living.

Over 2006–2007, project partners will carry out comparative analysis between Ukrainian indicators and those of other countries with varying levels of economic development in such areas as: knowledge-based economy, investment and industrial potential, merit goods, civil rights and freedoms, infrastructure, productivity, employment and labor migration, foreign economic activity, environmental quality, and energy efficiency.

The result of this research will be an analytical report that identifies key problems in Ukraine's socio-economic development and policy measures to tackle these problems

as part of policy planning. This report will also present a benchmarking approach for Ukraine that can be applied to assess the country's socio-economic development.

## Evaluating potential output using international experience

As part of the workshops on assessing potential output, the project included debates on the latest economic trends in Ukraine and key factors that could influence its potential output: the level of activity of work-age individuals in the labor force, the natural rate of unemployment, education and skill levels among workers, the banking sector, legislation, the efficiency of the public sector, property rights, and tax schedules. The model of assessing potential output will be based on the Cobb–Douglas production function, which evaluates medium-term potential output. The filter method will also be used to develop a short-term model for evaluating potential output. These instruments should be the basis for formulating monetary policy that is targeting inflation.

The dissemination of this paper is expected to result in: (1) a higher level of informedness about policy gaps and options; and (2) refining political initiatives at the regional and central levels.

## Building institutional capacity in the Government and NGOs

The application of benchmarking methods and methods for assessing potential output will help build institutional links among Government institutions, increase the coordination of their activities in terms of identifying strategic monetary and fiscal policy priorities, and standardize statistical data relative to other countries.

As an NGO, ICPS specialists will present an independent evaluation of the country's socio-economic development indicators and an estimation of potential output. The ICPS

policy paper will help develop capacity among NGOs to analyze the measurement and evaluation of the country's socio-economic performance. This, in turn, should lead to a meaningful dialog on state policy priorities in Ukrainian society. ■

*The "Socio-Economic Performance and Potential Analysis Capacity" project is implemented by the Conference Board of Canada (CBoC) and the ICPS with financial support from the Canadian International Development Agency (CIDA). For additional information, contact Natalia Starostenko by telephone at (380-44) 484-4400 or via e-mail at [nstarostenko@icps.kiev.ua](mailto:nstarostenko@icps.kiev.ua).*

## Public smoking ban unlikely to cut number of smokers

A law banning smoking in public places came into effect 1 July 2006. This law allows police officers to file reports on administrative offenses, while administrative commissions can now impose fines for smoking in public places. The size of this fine ranges from one to seven tax-free minimums. These steps are unlikely to reduce the amount of smoking in Ukraine in the short term, thinks Project Manager of the International Centre for Policy Studies Andriy Bega.

However, they will protect non-smokers from passive smoking in public places and at work, which is believed to be no less dangerous than active smoking.

The ban on smoking in public places is a necessary, but not sufficient step to control tobacco. According to the Framework Convention on Tobacco Control ratified by Ukraine, for tobacco policy goals to be consistently reached, the Government should also ban all outdoor advertisement of tobacco products and tobacco advertisements in the media, and to use price pressure by raising taxes on tobacco products. Only such a comprehensive set of steps is likely to really reduce the amount of smoking in Ukraine and its negative impact on public health and the country's economy.

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**icps newsletter** is a weekly publication of the International Centre for Policy Studies, delivered by electronic mail. To be included in the distribution list, mail your request to: [marketing@icps.kiev.ua](mailto:marketing@icps.kiev.ua).

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